



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 3.7.2001
COM(2001)341 final

**REPORT FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN
PARLIAMENT, THE ECONOMIC AND SOCIAL COMMITTEE AND
THE COMMITTEE OF THE REGIONS**

SAPARD ANNUAL REPORT - Year 2000

**REPORT FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN
PARLIAMENT, THE ECONOMIC AND SOCIAL COMMITTEE AND
THE COMMITTEE OF THE REGIONS**

SAPARD ANNUAL REPORT - Year 2000

Executive Summary

This is the first report produced by the Commission on the Special Accession Programme for Agriculture and Rural Development, SAPARD.

Using financial support from the Community budget amounting to over half a billion euro per year in the period 2000 to 2006, SAPARD is to assist 10 applicant countries of central and eastern Europe make structural improvements to their agricultural and rural environment. In addition to primary agricultural production, projects to improve product processing, marketing and quality are eligible for support, as are more general rural development measures.

Support under SAPARD is to be granted on the basis of a single agriculture and rural development programme per applicant country. The content of each programme reflects priorities established by the national authorities, depending on the particular circumstances and needs of their country, within limits set under the basic Council Regulation.

SAPARD programmes are to a large extent comparable with Member States' agriculture and rural development programmes. The exercise of programming was entirely new for the candidate country administrations who had to draw up those programmes. Nonetheless the programmes for all 10 countries were ready and approved by the Commission in the autumn of 2000.

Another implication flowing from the programme approach with SAPARD is that, unlike the other pre-accession instruments PHARE and ISPA, where at least some key points are managed by the Commission, with SAPARD the Commission is not involved in any such key points, not even project selection. For SAPARD an alternative approach was chosen, whereby the national authorities in the applicant countries would assume entire responsibility through fully "decentralised management". This was done to enable the underlying objectives of the SAPARD instrument to be realised. One is to implement numerous small scale projects, in principle, throughout the rural areas of each country and the other to create structures which will be capable also of applying the *acquis* immediately upon accession. However, this approach required two major exercises to be accomplished before aid could be granted.

The first exercise was essentially regulatory. This exercise was needed because no Community legislation is binding on any applicant country. Since Community money is involved, an appropriate set of provisions covering all aspects relevant to the proper use, control and accountability of funds had to be negotiated with the applicant countries, then set out in bilateral international agreements with them. By the late autumn these negotiations had been completed. That allowed signature of the agreements with the various countries to begin already before the end of the year.

The other exercise required the establishment in each applicant country of an agency capable of implementing SAPARD in a manner consistent with the legal provisions negotiated. By the

end of 2000 a considerable amount of work was accomplished by the applicant countries to build their SAPARD agencies. However, no applicant country had a SAPARD agency ready to receive funds and therefore no Community SAPARD monies could be transferred to any applicant country by the year-end.

This report details the work done in 2000. It also describes certain developments in 2001 where they are closely linked to that work. This includes the observation that two applicant countries have now received Community SAPARD funds and others are making significant progress.

Readers of this report are invited to bear in mind that the SAPARD instrument involves Community budget resources. Accountability for their use is crucial. SAPARD is also an exercise in practical institution building, whereby organs in each applicant country are created and given important management responsibilities, including that of accounting for these resources. This work will be of inestimable value once the countries become Member States. It is however a major task, because for all applicant countries both the concept and the practice of granting public money to support the large number of investments envisaged under SAPARD is unprecedented.

Overall the applicant countries made great strides in 2000 towards constructing systems capable of managing the SAPARD instrument correctly. The Commission acknowledges the enormous efforts made by a great number of people in each applicant country and their continuing, dedicated, hard work to prepare for SAPARD to become operational, although in certain cases these efforts are unlikely to be sufficient to allow SAPARD funds to flow before end 2001.

1. INTRODUCTION

Article 13 of Council Regulation (EC) No 1268/1999, the "SAPARD Regulation"¹, requires the Commission to prepare an annual report. The report is to cover the support granted and progress made towards achieving the objectives set out in Article 1 of that Regulation. It is to be presented to the European Parliament, the Council, the Economic and Social Committee and to the Committee of the Regions.

The SAPARD Regulation is applicable as from 1 January 2000. By the end of 2000, although support in terms of expenditure under the Regulation had not yet been granted, a considerable amount of work had been accomplished to prepare for its implementation in applicant countries. In view of this the Commission considers it appropriate to present a report now for 2000. However, as this is the first report it is not limited to 2000 but also covers events prior to that year. It furthermore includes developments that occurred early in 2001 in instances where a cut-off at the end of 2000 would provide the reader with a truncated view. It is nonetheless intended that the Report for 2001 will cover that entire year.

2. GENERAL BACKGROUND

2.1. Agenda 2000 policy on pre-accession

With the adoption of Agenda 2000, a new strategy for enlargement was established. The objective was to open accession negotiations successively with the applicant countries as they comply with the Copenhagen Criteria². In addition the pre-accession strategy was reinforced with the establishment of the Accession Partnerships and a substantial increase in pre-accession assistance through the introduction of two instruments, SAPARD and ISPA (Instrument for Structural policies for Pre-Accession). Furthermore, the strategy proposed that the pre-accession instruments should be used to introduce the applicant countries to the programme management procedures of the Structural Funds. Starting in 2000 the pre-accession assistance made available in the Community budget more than doubled to a total of 3.174 million euro per year (2000 prices) broken down as follows: PHARE 1.587 million euro, ISPA 1.058 million euro and SAPARD 529 million euro.

2.2. The SAPARD instrument - priorities and implementation

SAPARD's main priorities, as set out in the SAPARD Regulation are to contribute to the implementation of the *acquis* concerning the Common Agricultural Policy and related policies, and to solve priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries. To achieve these objectives SAPARD, unlike PHARE and ISPA, specifically requires each applicant country to draw up a development plan in accordance with the principles of the programming approach used by Member States for rural

¹ Council Regulation (EC) No 1268/1999 of 21 June 1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period, OJ L 161, 26.6.1999, p. 87.

² Agenda 2000 - For a stronger and wider Union, COM(97) 2000 of 15 July 1997.

development programmes. The plan can include up to 15 measures set out in the SAPARD Regulation. Many are similar to those available to Member States under Community co-financed agricultural and rural development programmes, a limited number aim at building capacity to implement the *acquis* such as improving structures for quality, veterinary and plant health controls, setting up producer groups, and land registers.

The implementation of SAPARD is based on two fundamental principles:

- development for each applicant country of a programme for agriculture and rural development covering the period 2000-2006 on the basis of the principles applied under the Structural Funds,
- conferral of management to the applicant countries on a fully decentralised basis with ex-post control by the Commission based on the principles of EAGGF Guarantee finance management.

SAPARD assists the applicant countries to gain practical experience in the procedures and principles of the system operating for Structural Fund rural development programming in the Member States by imposing the following ground rules:

- the plan must be prepared by the competent authorities and submitted by the applicant country only after the competent authorities and organisations at an appropriate level have been consulted. This promotes the partnership/consultation principles, which is central to the Structural Funds system but innovative for countries of central and eastern Europe,
- the plans must be submitted to the Member States' STAR Committee (set up under Regulation (EC) No 1260/1999³) for opinion. This gives the applicant countries first-hand experience of the Member States' direct involvement in proposals for funding,
- the approved programmes are multi-annual. This allows applicant countries to gain practical experience in managing the progress of a programme and to analyse and propose adjustments where necessary. In order to achieve this effectively, they gain practical experience in setting up management information systems: collecting statistics, producing annual reports on the programme and collating other relevant information,
- the obligation to set up a monitoring committee promotes the idea of on-going consultation and involvement of the relevant partners. It provides practical experience in defining and operating monitoring indicators,
- the obligation to carry out *ex ante* and mid-term evaluations of the programmes give the applicant countries relevant practical experience.

³ Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down the general provisions on the Structural Funds, OJ L 161, 26.6.1999, p. 1.

Article 12 of Council Regulation (EC) No 1266/1999, the “Co-ordination Regulation”⁴, lays down the provisions for the conferral of management, on the basis of a case-by-case analysis, to agencies in each applicant country.

The conferral of management of SAPARD aid:

- provides applicant countries with practical experience in setting-up financial structures and control systems similar to those used in the Member States. The setting-up of a paying agency based on specific criteria is a requirement both for Guarantee-funded measures⁵ and Structural Funds⁶ systems. The accounts must be independently certified. The objective of the exercise is to ensure clearly defined responsibilities, transparency of operations and sound financial management of Community assistance,
- allows the applicant country to gain first-hand experience of the Commission clearance of accounts and conformity clearance audits used for the Guarantee fund in the Member States,
- provides practical experience of reporting irregularities to the Commission,
- provides practical experience in managing the initial advance and in submitting to the Commission quarterly applications for payments in respect of expenditure incurred. This is based on the system for Structural Funds in the Member States,
- requires the applicant country to take responsibility for expenditure.

3. REGULATORY INITIATIVES TAKEN BY THE COMMISSION

The SAPARD Regulation requires the Commission to adopt detailed rules for its implementation. The first legislative initiative was to allocate the available financial resources to each applicant country. These allocations are set out in Commission Decision 1999/595/EC⁷, enacted by the Commission following the criteria set out in Article 7(3) of the SAPARD Regulation. The rules relating to financial matters were laid down in Commission Regulation (EC) No 2222/2000⁸. That act required consultation of the Member States through the EAGGF-Committee (set up under

⁴ Council Regulation (EC) No 1266/1999 of 21 June 1999 on co-ordinating aid to the applicant countries in the framework of the pre-accession strategy and amending Regulation (EEC) No 3906/89, OJ L 161, 26.6.1999, p. 68.

⁵ Commission Regulation (EC) 1663/95 of 7 July 1995 laying down detailed rules for the application of Council Regulation (EEC) No 729/70 regarding the procedure for the clearance of the accounts of the EAGGF Guarantee Section, OJ L 158, 8.7.1995, p. 6.

⁶ Commission Regulation (EC) No 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under Structural Funds, OJ L 63, 3.3.2001, p. 21.

⁷ Commission Decision 1999/595/EC of 20 July 1999 on the indicative allocation of the annual Community financial contribution to pre-accession measures for agriculture and rural development, OJ L 226, 27.8.1999, p. 23.

⁸ Commission Regulation (EC) No 2222/2000 of 7 June 2000 laying down financial rules for the application of Council Regulation (EC) No 1268/1999 (cf. footnote 1), OJ L 253, 7.10.2000, p. 5.

Regulation (EC) No 1258/1999⁹). For other matters, such as detailed rules for measures in the programmes, consultation with the Member States was also required involving the STAR Committee. The rules adopted are set out in Commission Regulation (EC) No 2759/1999¹⁰.

During consideration of the plans submitted by applicant countries in the early summer of 2000, it became evident that certain matters relating to the SAPARD Regulation required further legislative initiatives to be taken by the Commission, in addition to those foreseen in that Regulation. These initiatives were introduced as modifications to Commission Regulation (EC) No 2759/1999 through Commission Regulation (EC) No 2356/2000¹¹.

3.1. Commission Decision 1999/595/EC on the indicative allocation by beneficiary country of the annual Community financial contribution

Article 11 of the SAPARD Regulation requires the Commission to allocate the available resources to the applicant countries, and to communicate its Decision to each of them. Article 7(3) of the same Regulation stipulates that the financial allocation must be based on farming population, agricultural area, gross domestic product per capita in purchasing power parity and specific territorial situation.

The indicative allocation by beneficiary country of the maximum amount of the annual Community financial contribution was set out in the Annex to Decision 1999/595/EC of 20 July 1999. The amounts, expressed in constant 1999 prices, are indicated in the table below. The Commission considered that although each of the four criteria in Article 11 of the SAPARD Regulation were relevant it would not have been appropriate to give equal weight to each of them. Thus, 90% of the total allocation was calculated taking account of the agricultural area weighted by 65% and the farming population weighted by 35%. The resulting figures were then adjusted with the deviation for each country's GDP from the average of the GDP in all 10 countries (expressed in purchasing power parity). The allocation of the remaining 10% was based on the specific territorial situation. This was determined taking account of the length of each country's land border with third countries (including countries eligible under SAPARD), plus 20% of coast length.

⁹ Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy, OJ L 160, 26.6.1999, p. 103.

¹⁰ Commission Regulation (EC) No 2759/1999 of 22 December 1999 laying down rules for the application of Council Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period, OJ L 331, 23.12.1999, p. 51.

¹¹ Commission Regulation (EC) No 2356/2000 of 24 October 2000 amending Regulation (EC) No 2759/1999 (cf. footnote 10), OJ L 272, 25.10.2000, p. 13.

INDICATIVE ALLOCATION BY BENEFICIARY COUNTRY
OF THE MAXIMUM ANNUAL AMOUNT IN 1999 PRICES

| Country | Amount (in euro) |
|----------------|--------------------|
| Hungary | 38 054 000 |
| Latvia | 21 848 000 |
| Slovenia | 6 337 000 |
| Bulgaria | 52 124 000 |
| Czech Republic | 22 063 000 |
| Lithuania | 29 829 000 |
| Slovakia | 18 289 000 |
| Poland | 168 683 000 |
| Estonia | 12 137 000 |
| Romania | 150 636 000 |
| TOTAL | 520 000 000 |

3.2. Commission Regulation (EC) No 2759/1999 on rules for managing the programmes

Following the opinion of the STAR Committee, the Commission adopted Regulation (EC) No 2759/1999 on the detailed rules for the application of SAPARD on 22 December 1999.

In general terms the Regulation follows the provisions on Community aid for rural development in the Member States, as defined in Council Regulation (EC) No 1257/1999¹² and Commission Regulation (EC) No 1750/1999¹³.

The specific situation and the priority needs of the applicant countries gave rise to a situation where some of the measures currently eligible in Member States are not eligible under SAPARD. Consequently, measures for the setting-up of young farmers, early retirement and Less Favoured Areas are not applicable under SAPARD.

Where they differ from those for Member States the Regulation specifies conditions under which aid can be granted, i.e.:

- **Investment in agricultural holdings:** holdings need to comply with national minimum standards regarding the environment, hygiene and animal welfare at the time when the decision to grant support is taken. If minimum standards in

¹² Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations, OJ L160, 26.6.1999, p. 80.

¹³ Commission Regulation (EC) No 1750/1999 of 23 July 1999 laying down the detailed rules on the application of Council Regulation (EC.) No 1257/1999 (cf. footnote 12), OJ L 214, 13.8.1999, p. 31.

respect of those aspects have been newly introduced at national level, and are required under the *acquis*, the holdings need to respect them by the end of the realisation of the investment.

- **Improving the processing and marketing of agricultural and fishery products:** because there is no specific pre-accession financial instrument for fisheries, support for the processing and marketing of fisheries is covered by this Regulation and so differs from the provisions of Regulation (EC) No 1257/1999 for Member States. The raw materials to be supported must originate in applicant countries or the Community (later modified to allow raw materials from third countries, see also point 3.3).
- **Agri-environment:** as such actions shall have the objective of developing practical experience of agri-environmental implementation at both administrative and farm levels these concern pilot actions only, unlike for Member States.
- **Producer groups:** this measure does not exist for Member States in the present programming period¹⁴. However, due to the specific needs of applicant countries, it is included in the SAPARD Regulation.
- **Forestry:** applicant countries may benefit from this measure on a basis similar to Member States, except for restoring forestry production potential damaged by natural disasters and fire. Furthermore, for afforestation of agricultural areas, the annual premium per hectare to cover loss of income (permitted for Member States) is not eligible under SAPARD.

The Regulation also covers some aspects of eligibility of expenditure, the establishment of a managing authority, requirements for monitoring indicators as well as for annual and final reports, and for evaluation of the programmes. It also establishes that further detailed conditions for aid will be laid down in bilateral agreements between the Commission and each applicant country.

3.3. Commission Regulation (EC) No 2356/2000 amending Regulation (EC) No 2759/1999

The matters addressed in Regulation (EC) No 2356/2000 relate mainly to Article 8 of the SAPARD Regulation. That article sets limits on Community support in relation to public expenditure. It also deals, in part, with aid intensities. It reads as follows:

“Article 8, Rate of Community contribution

1. The Community contribution may amount to up to 75% of the total eligible public expenditure.

For measures referred to in the last indent of Article 2 and Article 7(4), the Community contribution to financing may amount to up to 100% of the total eligible cost.

¹⁴

However, under certain Commission regulations on the common organisation of the markets, aid is possible for producer groups.

2. *For revenue generating investments, public aid may amount to up to 50% of the total eligible cost of which the Community contribution may amount to up to 75%. In any case the Community contribution shall comply with the ceilings on rates of aid and cumulation laid down for State aid.*

3. *The financial support and the payments shall be expressed in euro*".

Three problems were noted with the Article. These required attention if they were not to cause difficulties for various initiatives provided for in several of the plans submitted by applicant countries.

First, the definition of a "revenue generating" investment. The text of paragraph 2 of Article 8 at least implied that if the investment generates any revenue, it is revenue-generating. The aid intensity for such investments under that Regulation is limited to a maximum 50% of total eligible costs.

In the absence of any further legal clarification examples of revenue-generating investments could have included infrastructure whenever user fees were applied, such as marketing centres or village water supply systems. The option of not charging user fees on such projects so as to avoid generating revenue would have been economically irrational (and in the case of the water example cited would risk being contrary to Community environmental policy). The reference to revenue-generating investments in the Regulation therefore had potentially major undesirable consequences for various measures.

Second, was the issue of how to deal with the concept of public aid when the beneficiary is in the public sector. A peculiar situation could have arisen under the SAPARD Regulation in cases where the investment is revenue-generating *and the beneficiary is in the public sector*.

The reason for this was that, according to paragraph 2 of Article 8 of the SAPARD Regulation, the Community contribution is a function of the public *aid* (not public *expenditure* as in its paragraph 1). When the beneficiary is *public* it is easy to identify the level of public *expenditure* but not the level of public *aid*.

Unqualified application of that provision might have resulted in a refusal to co-finance any revenue generating investment where the beneficiary is public on the grounds that the expenditure is all aid and so exceeds the limit of 50% of total eligible cost set by the Council.

Third, does "public aid" in paragraph 2 of Article 8 also refer to aid granted independent of SAPARD? To avoid misunderstanding, it was imperative to know whether "public aid" refers only to that granted under SAPARD or also to any granted independent of this instrument. The issue had significant practical implications because many of the plans submitted by applicant countries envisaged aid intensities for SAPARD support alone, which were already at the 50% limit set in the SAPARD Regulation.

The Commission considered the above points and concluded that they all needed to be addressed through a legislative proposal. That proposal defined revenue-generating investments as all investments except those in infrastructure, which do not generate substantial net revenue. This definition, inspired by Council Regulation

(EC) No 1260/1999 laying down general provisions on the Structural Funds, addressed the first two of the problems mentioned above. The third problem was tackled by defining public aid as all such aid whether or not granted under the programme. The proposal with these components was submitted to the STAR Committee, along with two other essentially technical adjustments to Regulation (EC) No 2759/1999. One adjustment concerned investment in fish processing, to allow aid even if the raw material originated in third countries (as is permitted for Member States); the other removed exclusion of aid for second-hand equipment. Both of these points had likewise been identified in work associated with the plans. The proposal, tackling all five of the above issues, was the subject of a unanimous vote in the STAR Committee, and the resulting Regulation (EC) No 2356/2000 was adopted by the Commission on 24 October 2000.

3.4. Communication to the Commission (financial rules)

3.4.1. Background

Within the framework of Agenda 2000, the Council decided that the SAPARD instrument should be implemented in accordance with the two Regulations (EC) No 1266/1999 and (EC) No 1268/1999 (the Co-ordination Regulation for PHARE, ISPA and SAPARD, and the SAPARD Regulation). The respective financial management rules of these Regulations needed to be reconciled with Title IX of the Financial Regulation - external aid rules, the SAPARD Regulation, and the Co-ordination Regulation.

3.4.2. Decentralised management

- The SAPARD Regulation provides that the financial support shall comply with the principles of EAGGF (Guarantee and Guidance Fund). The Regulation also includes references to compliance with provisions of Regulation (EC) No 1260/1999, which lays down general provisions on the Structural Funds.
- The standard external aid provisions of the Financial Regulation (Title IX) foresee only systems with key points managed by the Commission, in contrast to the decentralised EAGGF (Guarantee and Guidance Fund) and Structural Fund systems provided for in SAPARD. Under the former, projects implemented by applicant countries would be subject to *ex ante* approval by the Commission (currently the case for PHARE and ISPA); under the latter, applicant countries would act autonomously and would be responsible for correct execution and at least the initial control over payments.
- Article 11 of the Co-ordination Regulation states that the Commission shall implement the Community aid in accordance with the provisions for external aid defined under Title IX of the Financial Regulation. Article 12(1) of Regulation (EC) No 1266/1999 provides that project selection, tendering and contracting shall be subject to *ex ante* approval by the Commission. However, Article 12(2) of that Regulation provides that the Commission may, under certain circumstances, waive the *ex ante* approval requirement and confer on implementing agencies in applicant countries management of aid on a decentralised basis.

- The SAPARD instrument is expected to generate a large number of applications and require management of a substantial number of projects. As with all agricultural and rural development programmes such projects are generally relatively small because of the size of the beneficiary enterprises. Consequently, delegation of management from the Commission to the applicant countries is not only required in order to achieve the objectives of the Regulation but is also a practical necessity. Well over 1000 national officials in the applicant countries are expected to be employed in running SAPARD.

3.4.3. *Communication to the Commission*

In order to create a system that would reconcile EAGGF rules with those for external aid, the Commission did consider returning to Council and Parliament to seek amendment of the relevant legal bases. However, this option could have proved very lengthy so, after considering the various legal possibilities, a more straightforward and timely alternative was approved by the Commission. This is set out in the Communication to the Commission of 26 January 2000¹⁵.

The Commission concluded in its consideration of the Communication that such delegation of tasks is legally possible by applying Article 12(2) of the Co-ordination Regulation. This provision allows the conferral of management tasks normally executed by the Commission to implementing agencies under the responsibility of the applicant country, provided there is respect of the particular conditions laid down in that Regulation.

3.4.4. *The financial management system adopted for SAPARD*

The management system agreed by the Commission in the Communication was in line both with the principles of EAGGF-Guarantee and the relevant external aid provisions of the Financial Regulation, as well as the appropriate rules reflecting the programming and payments system of the Structural Funds. Its implementation had the major advantage of avoiding the risk of re-opening the conclusions of the Berlin European Council, which had set the overall framework within which SAPARD was to operate. It also minimised the risk of complicating and so further delaying the start of the SAPARD instrument. Moreover the system agreed had the advantage of helping to prepare the applicant countries for accession. It is based on a decentralised approach with three main characteristics:

- 1) An accredited SAPARD implementing/paying agency, to be established by each applicant country. The SAPARD agencies should be organised in conformity with the EAGGF Guarantee provisions. The National Fund (entity within the Ministry of Finance, already installed for PHARE financial management) should be the competent authority for the accreditation of the SAPARD agency.

The Commission is to verify the accreditation of the SAPARD agency on the spot. Only if the Commission shares the National Fund's appraisal of the implementing/paying agency, can the management and payment tasks be delegated from the Commission to the applicant country and the working capital transferred to

¹⁵ SEC(2000) 97 of 19 January 2000.

that country. Only expenditure carried out on the basis of decentralised management through SAPARD agencies may be eligible for Community financing.

2) A payment system based on differentiated appropriations. The rules of Title IX of the Financial Regulation make it necessary that SAPARD appropriations be differentiated. Differentiated appropriations are those with separate commitment and payment appropriations. Commitment appropriations cover the total cost of the legal obligations entered into in a given year for operations whose implementation extends over more than one financial year. The subsequent charging of the commitment as a payment within a determined time limit is similar to the system of Structural Funds.

3) A clearance of accounts procedure. Article 12(2) of the Co-ordination Regulation provides for the execution of *ex post* controls by the Commission. The EAGGF clearance of accounts procedure is an efficient system to audit payments of the decentralised agencies and, if necessary, to recover irregular or undue payments from the applicant countries. Audits and controls would therefore be executed in accordance with the EAGGF Guarantee provisions. These foresee a clearance procedure in two steps:

- the annual *clearance of accounts decision* determines the amount of expenditure effected by the SAPARD agency during the preceding financial year, which shall be recognised as being chargeable to SAPARD,
- without prejudice to the clearance of accounts decision, the Commission may at a later stage exclude expenditure from financing when it considers that expenditure was not effected according to the SAPARD rules (*conformity clearance decision*).

The determination of financial corrections would also follow EAGGF Guarantee rules, for example:

- the application of flat-rate corrections in cases where controls have not been correctly established or executed by the SAPARD agency,
- the refusal to compensate the foreseen financial correction with expenditure made for other projects.

3.5. Commission Regulation (EC) No 2222/2000 on financial rules

A key Commission instrument for the implementation of SAPARD is Regulation (EC) No 2222/2000. Drafting of that instrument required careful consideration in order to set out in detail the results of the reconciliation of the requirements of both the relevant provisions of the Financial Regulation concerning external aid and those of complying with the principles laid down for EAGGF and Structural Funds, as required by the SAPARD Regulation. The Regulation would then form the basis of a multi-annual agreement to be negotiated and concluded with each applicant country in order to bind each country to the rules required by the Community.

3.5.1. Drafting the Regulation

A first major step in the process was to set out the details of the Commission policy on the basis of the Communication adopted by the College on 26 January 2000 (see point 3.4).

In laying down the financial rules governing the decentralised management system, the Commission decided to introduce certain adjustments to the guidelines devised in January. The regulation thus provides that the signature of the Annual Financing Agreement shall give rise to the commitment of the appropriations. The approval of the accreditation of the paying agencies became, more appropriately, only a pre-requisite for the delegation of management and the transfer of funds. In effect, subordinating the commitment to the delegation of management decision would have resulted in an unreasonable requirement for applicant countries without a corresponding benefit for the Community. Against this background the Commission analysed the options open to it. The conclusion was that an evolution in the position set out in the Communication would be justified so that the commitment of funds for 2000 could be made independent of its decision on conferring management of aid.

3.5.2. Consultation with the applicant countries on the financial rules

An important procedural innovation in the negotiations on the Multi-annual Financing Agreement was to forward the draft Regulation to each applicant country for comment in advance of its adoption. This was done after the draft was presented for the first time to a special EAGGF Committee meeting on 2 May. The Commission undertook to take account of any comments received from the applicant countries, provided they were compatible with the financial arrangements of the Community and did not weaken the underlying structure of the text, in particular as regards sound financial management.

3.5.3. Adoption of the Regulation

A draft of the Regulation was prepared in March. As the text in many respects involved novel concepts this was a complex exercise. However, the draft Regulation was the subject of preliminary discussions with Member States in the EAGGF committee already on 18 April 2000. To expedite work on the draft a special meeting of the committee took place on 2 May 2000 and a further meeting on 22 May 2000. The Regulation was the subject of a unanimous vote in the EAGGF Committee and was adopted by the Commission on 7 June 2000. It was decided not to publish it immediately, so as to respect the need for negotiation of the Multi-annual Financing Agreement with the applicant countries. The Regulation was published (as adopted) on 7 October 2000, namely when the negotiations had been substantially concluded.

3.6. The Multi-annual Financing Agreement

3.6.1. Purpose of the Multi-annual Financing Agreement

As Community legislation is not binding on applicant countries, it was necessary to draw up bilateral agreements with each applicant country in order have a legal framework binding the Community and each applicant country to the rules for implementing SAPARD. In addition, Title IX on external aid rules of the Financial Regulation, the SAPARD Regulation and the Co-ordination Regulation for pre-accession assistance all provide that a financing agreement shall be drawn up between the Commission, acting for the Community, and the government of the recipient State.

3.6.2. *Content of the Multi-annual Financing Agreement*

The Multi-annual Financing Agreement lays down the Community management and control rules for SAPARD for the duration of the programme, namely 2000-2006. It is based on Regulation (EC) No 2222/2000 and enshrines the three principles outlined in the Commission's Communication of 26 January 2000, namely:

- full decentralisation of programme management to an agency established under the responsibility of each applicant country,
- financing arrangements based on differentiated appropriations,;
- the application of the EAGGF Guarantee Section Clearance of Accounts procedure.

In addition, it provides rules for an advance and payment system similar to the Structural Funds system, as well as specific requirements for monitoring committees, management and evaluation of the programme and reporting, also similar to the Structural Funds system. The Agreement also provides for reporting irregularities and access by Community officials to documents and projects.

3.6.3. *Summary of sections*

The Agreement consists of seven sections, as follows:

Section A: Financial Management. This section lays down the detailed provisions for the execution of SAPARD on a decentralised basis in each applicant country, reflecting to a large extent the Financial Implementing Regulation adopted by the Commission in early June following a unanimous vote in the EAGGF Committee.

Section B: Management, Monitoring and Evaluation of the Programme. This section details the monitoring and evaluation requirements necessary to determine the effectiveness and efficiency of the component parts of the agricultural and rural development programmes.

Section C: General Provisions. Details issues such as co-ordination with other pre-accession financial instruments (PHARE and ISPA), taxation and customs, import and export rules.

Section D: Quarterly and Annual Declarations of Expenditure. This section details the forms to be completed and the rules to be respected in the declaration of expenditure on a quarterly and annual basis.

Section E: Guidelines for Certifying Body. This section sets out the form, scope and contents of the certificate and report of the body performing the certification of the SAPARD agency.

Section F: Text of Community legislation referred to in Regulation (EC) No 2222/2000 on financial rules for SAPARD adapted for the Agreement. This is a technical section that spells out in full the wording of the relevant Community legislation referred to in Regulation (EC) No 2222/2000 not already taken account of in the other sections of the Agreement but adapted to fit the circumstances of SAPARD.

Section G: Dispute settlement. This section details the procedure to be followed for recourse to an arbitration tribunal, in the event of a dispute.

3.7. The Annual Financing Agreement

3.7.1. Purpose of the Annual Financing Agreement

The Annual Financing Agreement for 2000 sets out the financial commitment of the Community for each applicant country eligible for assistance under SAPARD. An Annual Financing Agreement will be drawn up and negotiated with each of the applicant countries for each year of the programme. It sets out the annual financial commitment of the Community and, where necessary, will amend provisions of the Multi-annual Financing Agreement.

3.8. Negotiation of the Multi-annual and Annual Financing Agreements

Adoption of Regulation (EC) No 2222/2000, setting out the financial rules, opened the way for the Commission to draft and then to negotiate a Multi-annual Financing Agreement with each of the 10 applicant countries. As stated previously, the applicant countries were given the opportunity to comment on the proposed financial rules before their adoption. The need for that negotiation was explicitly recognised in the Regulation where its Article 1(2) reads “the Commission intends to require the applicant countries to respect [the conditions in the Regulation] by including them in financing agreements negotiated with each country”. The Regulation in itself could not suffice, as no Community legislation is applicable in any third country. During the negotiations a number of detailed points not covered in the Regulation also arose and were incorporated in the texts negotiated.

3.8.1. Ministerial meeting

To set the negotiations on course, a two-day ministerial level meeting was held in Brussels on 6-7 June 2000, attended by Ministers from all 10 countries. That meeting had two main components: an exchange of views at an essentially political level and explanations given by the Commission, Article by Article, of the very recently adopted Regulation (EC) No 2222/2000. Applicant countries were also encouraged in the forum to put forward their views on any aspect of the Regulation.

3.8.2. Workshop launching the negotiations

A first draft of the Multi-annual Agreement was prepared in July, reflecting the thrust of the Regulation and the June negotiations. In view of the need for the document to be negotiated with each applicant country it was forwarded to them as a draft. This was prior to holding a meeting in Brussels, on 27 July, attended by representatives of all applicant countries. As previously, their views were also solicited on that occasion. As a result, a revised draft agreement was sent to applicant countries on 3 August, reflecting the work of that meeting.

3.8.3. Inter-service consultations

As an indicator of the complexity and importance of the text of the Agreement, 16 Directorates-General were involved in the inter-service consultation process. Negotiations continued on the basis of drafts revised to take account of comments received (see Annex 2 for a fuller picture). After every inter-service consultation, a

new draft was circulated to the applicant countries. In total, four such drafts were issued. The Commission managed to forward revised texts within four weeks of the deadline set for comments by applicant countries. On each version, and with the exception of only one country on one occasion, every country had numerous comments calling for re-drafting.

The negotiation of the Multi-annual Agreement involved the active participation of all applicant countries and the Commission. The entire exercise, from discussion with the applicant countries on the first draft to finalisation of the text, took just four months.

3.8.4. Complexity of the process

Because of the wide range of issues addressed, the process inevitably involved many participants in the various applicant countries. The different approaches and preferences of each country understandably affected it. In an attempt to facilitate the exercise, numerous bilateral meetings and exchanges also took place.

It was a process that entailed a large degree of novelty both of concept and of detailed drafting. To give an example, careful consideration had to be given to the compatibility of the provision that, in the event of recourse to an arbitration procedure, the tribunal set up under the Agreement would take account of relevant case law of the Court of Justice of the European Communities. The wording had to be crafted to avoid the risk that it might conflict with the constitutional provisions of at least one country.

Taking a more technical example, the issue of definition of eligible expenditure had to be addressed. Unlike Member States, applicant countries generally have, at most, only rudimentary State aid provisions. Consequently it was not possible to use the relatively simple option of building eligibility rules for applicant countries based on their national provisions, as is provided for in the Structural Funds Regulation (EC) No 1260/1999 (Article 30(3)).

Furthermore, as Community legislation is not binding on applicant countries, it was not appropriate in the Agreement merely to indicate references, for example, articles of Community legislation, which would be the case when drafting regulations. It was necessary to examine all relevant references to Community legislation in the legislative framework (SAPARD Regulation, Co-ordination Regulation, Regulation (EC) No 2759/1999 and Regulation (EC) No 2222/2000) and to insert the actual text of the relevant provisions into the Agreement, adapted accordingly.

3.8.5. Procedural context

The negotiation process could not be done in isolation from other developments. It could not precede the adoption of Regulation (EC) No 2222/2000 on the financial rules, which in turn had to await the outcome of the complex of issues addressed in the Communication of 26 January 2000. It could likewise not precede the completion of the work leading up to adoption of Regulation (EC) No 2356/2000 (see point 3.3).

Equally importantly the work needed to take account of the process of setting-up SAPARD agencies, as well as the contents of the various agricultural and rural development programmes.

Despite the number of detailed changes made during the negotiations of the Multi-annual Agreement, the key components of the document remained intact throughout. In this way the substance of Regulation (EC) No 2222/2000 was respected.

3.8.6. Adoption of the text of the Multi-annual Financing Agreement

On 29 November 2000, the Commission approved the final version of the text of the Multi-annual Agreement. To assist those countries that were most anxious to make rapid progress an unofficial version was forwarded to each applicant country on November 10 but with the provision that it in no way pre-judged the position of the Commission. This procedure was employed to enable early consideration of the draft agreement in applicant countries.

Several countries indicated their willingness to sign the Multi-annual (and Annual) Agreements by the end of 2000. On 18 December the Multi-annual Agreement with Bulgaria was signed, thus permitting the national authorities to begin the process of ratification. By the end of March 2001 all 10 applicant countries had signed both agreements.

3.8.7. The signing of the Annual Agreement for 2000 and commitment of the allocation

The Annual Agreement is a simple document. Its content was limited to defining, for each country, the level of Community financial commitments made in the 2000 budget. There was however no practical pressure or need to sign the annual agreements already in 2000. The reason for this was that the Commission, having approved the Multi-annual Agreement, and having authorised the Member of the Commission to sign each agreement, made a global budgetary commitment for the amounts determined for 2000. That decision constituted a budgetary commitment for all ten countries within the meaning of Article 36(2) of the Financial Regulation. Thereafter, and on the same basis, the corresponding individual legally binding commitments could be effected by 31 December 2001. This action also removed pressure from any applicant country to agree rapidly to the Multi-annual Agreement. This would have been the case had agreement been needed to avoid loss of appropriations due from the 2000 budget allocation.

3.8.8. Period of commitment

The Annual Agreement for 2000 provides that any part of the commitment for 2000 which has not been the subject of a payment on account shall be decommitted by 31 December 2002 if an acceptable payment application has not been received before the end of the second year following the year of commitment.

4. TECHNICAL ASSISTANCE AND TRAINING TO PREPARE FOR THE IMPLEMENTATION OF SAPARD

4.1. Commission initiatives

A number of technical assistance actions have been undertaken to help prepare for SAPARD implementation. The most important of these has been the PHARE Special Programme for Preparation for the Structural Funds (SPP) established under the 1998 PHARE programme. The purpose of this programme is to initiate preparations for implementation of Community Structural Funds from accession. These preparations

include drafting of national development plans and building institutional capacity for Structural Fund management.

Assistance to prepare for the implementation of SAPARD (and ISPA), as well as the economic and social cohesion dimension of the PHARE programme, is included in the SPP because these instruments are considered to be precursors for the application of the Structural Funds. The total amount allocated to the programme since 1998 is 56 million euro, of which approximately 25 million euro is attributable to preparing for the implementation of SAPARD.

Under PHARE, technical assistance related to SAPARD includes:

- twinning projects on the preparation of the rural development plans for SAPARD and elaboration of implementation procedures,
- twinning projects on preparing the accreditation of SAPARD agencies. These projects have involved help with the design of application forms and control checklists; training in payment procedures under SAPARD; elaboration of book-keeping procedures; setting-up the internal control system; on-the-spot and *ex post* control systems; procurement procedures and risk-evaluation methodology,
- SPP technical assistance involving the preparation of *ex ante* evaluation related to the agriculture and rural development plans. It also involved the development of systems for information, monitoring and control, training of officials and study visits for the preparation of development plans, administrative procedures and financial management,
- SPP rural pilot projects for preparing the administration and procedures for implementing the programmes, training of administrative staff, advisors and beneficiaries as well as preparations for evaluation, financing and control.

The Commission also arranged a seminar for officials from the applicant countries on the Multi-annual Agreement. Furthermore, study visits to Member States by officials from applicant countries were arranged.

4.2. Other assistance

SIGMA Support for Improvement in Governance and Management in central and eastern European countries - a joint initiative of the OECD and the Community combining OECD and PHARE resources to assist the central and eastern European countries build financial management and control systems. This initiative has provided valuable assistance to Bulgaria, the Czech Republic, Latvia, Poland, Romania and the Slovak Republic in setting up and preparing for accreditation of the SAPARD agencies.

Assistance from international financial instruments. The World Bank has carried out preparatory work for loans to the agricultural and rural sectors in some of the applicant countries (Bulgaria, Poland and Romania).

Many Member States have provided valuable bilateral assistance to various applicant countries without recourse to Community budgetary resources but often at the request of the Commission. Although the Commission does not have a complete

picture, this assistance was widespread and also made a contribution to the setting up of the SAPARD agencies. That assistance included carrying out *ex ante* evaluation and ad-hoc assistance to enable administrations to take on new tasks, for example, environmental impact assessments.

5. FINANCIAL AND BUDGETARY ISSUES

5.1. Budgetary allocations in the budget 2000

At the Berlin summit on 24 and 25 March 1999, the European Council concluded that expenditure for the three pre-accession instruments (PHARE, ISPA and SAPARD) should be entered in separate sub-headings under a new heading 7 in the financial perspective.

The annual ceiling for the agricultural pre-accession instrument was fixed at a constant level throughout the period 2000-2006, not exceeding 520 million euro at 1999 prices. This amount was subsequently included in the financial perspectives 2000-2006, annexed to the Inter-institutional Agreement of 6 May 1999 on budgetary discipline.

The Budgetary authority classified heading 7 as non-compulsory expenditure and differentiated appropriations (see point 3.4.4, item 2).

5.2. Budgetary allocation for assistance at the initiative of the Commission

Article 7(4) of the SAPARD Regulation authorises the Commission to devote up to 2% of the annual allocation of funds over the whole period of the programme to finance certain assistance measures taken on its own initiative. This provision was reflected in the 2000 budget by creating one SAPARD budget line for the financing of programmes (Article B7-010) and a line (Article B7-010A) for expenditure on this assistance.

SAPARD budgetary allocations for commitments in the 2000 budget were set at 529 million euro of which 519.1 million euro was for the programme line B7-010, and 9.9 million euro for the assistance line B7-010A. Allocations for payments were 190.1 million euro for the budget line B7-010 and 9.9 million euro for the line B7-010A.

5.3. Transfer of funds from assistance budget line to the programme budget line

Year 2000 was mainly spent preparing the legal framework allowing SAPARD to be applied on a decentralised basis, and approving the programmes for agriculture and rural development on the basis of plans presented by the 10 applicant countries (see sections 3 and 6). These activities did not give rise to the need for assistance in the four eligible areas (preliminary studies, exchange visits, evaluations and controls) provided for in article 7(4) of the SAPARD Regulation.

As a consequence the Commission proposed the transfer of 9.8 million euro from the assistance line B7-010A to the Programme line B7-010 (an amount of 100 000 euro was left to cover possible requirements, for example, a meeting of all applicant countries in Brussels). This transfer was adopted by the Budgetary Authority and enabled the amount concerned to be included in the Annual Financing Agreements

for 2000, and so reinforcing (using the same distribution key as for the global amount) the Community finance available for each of the agriculture and rural development programmes.

5.4. Use of funds

Article 7 of Commission Regulation (EC) No 2222/2000 states that the Commission Decision authorising signature of each Annual Financing Agreement gives rise to commitment of the appropriations in the Community budget. As stated earlier, a global commitment was made once the Commission adopted the texts of the Multi-annual and Annual Agreements and the Member of the Commission had been authorised, on 29 November 2000, to sign the Multi-annual and Annual Financing Agreements. The corresponding individual commitment of the Commission to finance each country's SAPARD programme (signature of the corresponding Annual Financing Agreement) could only be entered into after the programme had been approved and both parties signed the Multi-annual Financing Agreement.

The provision for global commitment in Article 36(2) of the Financial Regulation allows the Commission to commit the whole amount available for 2000, and set up the individual commitment for each country before the end of 2001. In fact, the 10 individual commitments were effected before the end of February and the 10 Annual Financing Agreements were signed before the end of March 2001.

As explained in section 7, one condition for SAPARD to be operational is that the Commission has decided to confer management of aid to each of the applicant countries. By the end of 2000 no such decisions had been taken as no national decisions to accredit any SAPARD agency had been concluded sufficiently soon to permit such a Commission decision. Therefore, no Community SAPARD funds had been transferred to any applicant country.

SAPARD financial execution in 2000 (in euro) can be summarised as follows:

| Heading | Appropriation | Budget 2000 | Transfers | Executed | Carried over | Cancelled |
|---------|---------------|-------------|-------------|-------------|--------------|-----------|
| B7-010 | Commitment | 519 100 000 | +9 800 000 | 528 900 000 | 0 | 0 |
| | Payment | 190 100 000 | -50 000 000 | 0 | 140 100 000 | 0 |
| B7-10A | Commitment | 9 900 000 | -9 800 000 | 0 | 0 | 100 000 |
| | Payment | 9 900 000 | 0 | 0 | 0 | 9 900 000 |

5.5. Budgetary overview for the year 2001

During the year 2000 the Budgetary Authority determined the amounts to be allocated to SAPARD in the 2001 budget.

The total amount of 540 million euro available for commitment in 2001 is the result of the technical adjustment of the amount of 520 million euro at constant 1999 prices, as foreseen in the financial perspectives. It has been divided between the main

line B7-010, which receives 530.28 million euro and the “administrative” line with 9.72 million euro.

The “administrative” line also receives 9.72 million euro payments appropriations.

In spite of the difficulty of financial forecasts, which at best can be based on hypotheses as there are no relevant precedents, the need for payment appropriations in 2001 under the main line B7-010 has been estimated at around 500 million euro. It was assumed that half of this amount would be paid as an advance after the Commission Decision conferring management of aid to the SAPARD agencies, and half as co-financing of expenditure resulting from the implementation of the programmes during 2001. The Budgetary Authority accepted the carry-over of 140.1 million euro of payment appropriations not used in 2000 and authorised 321.08 million euro of fresh payment appropriations in the 2001 budget.

6. PREPARATION AND ADOPTION OF THE SAPARD PROGRAMMES

The applicant countries were invited to draw up their plans for agriculture and rural development, selecting measures which reflect particular national circumstances. Plans were required to be submitted within six months of the entry into force of the SAPARD Regulation, namely by 29 December 1999. All the applicant countries, except the Czech Republic¹⁶, submitted their plans within this deadline. All plans needed to provide additional information before the Commission was able to declare each of the revised plans admissible, which it did during April and May 2000.

The preparatory phase included consultations of economic, social and environmental partners, as provided for in Article 4(2) of the SAPARD Regulation.

The SAPARD Regulation also provides that the programmes shall be approved within six months of the date of their submission, on condition that all relevant information has been provided. This is the normal time period provided for Member States' agricultural and rural development plans.

The Commission approved the SAPARD programmes for each of the applicant countries between October and December 2000. It thus took no longer to establish the SAPARD programmes than for Member States' plans, despite the latter's considerable experience in drawing up plans and the fact that this was a new exercise for each of the applicant countries (see Annex 3).

Before being approved by 10 specific Commission Decisions, all plans were presented to the STAR Committee, where each was given an unanimously positive opinion. Delegations from each applicant country were present during the Committee's discussions on their respective plans.

¹⁶ The Czech Republic officially requested, and was granted, an extension of the legal deadline of 29.12.1999 to 31.1.2000.

6.1. Programme contents

Although the balance between measures differs from programme to programme, three measures are dominant in virtually all of them: processing and marketing, investment in agricultural holdings, and investment in rural infrastructure.

Taking all countries together, public aid for investment in processing and marketing leads with 26% of the total Community contribution¹⁷, followed by investment in agricultural holdings and investment in rural infrastructure, each at just over 20%. Next comes diversification of activities with around 11%. Of the nine other measures in the programmes, none of them averages more than 4% of the total. Even though the agri-environment measure is not obligatory under SAPARD and only concerns pilot implementation, unlike for Member States rural development programmes, all applicant countries except Slovenia have included this measure in their programmes. It can also be noted that two measures, i.e. setting up farm relief and farm management services, and the measure on establishment and updating of land registers, have not been included in any of the programmes (see Annex 4).

All of the figures in Annex 4 (and in this description) need to be read bearing in mind that for every programme there is a provision permitting a certain degree of flexibility, subject to Monitoring Committee agreement. The degree of flexibility for each measure is set at 10% of the total for that measure over the period 2000-2006, and is subject to respect of the Community contribution in the concluded financing agreement(s). This flexibility aims to facilitate management of the programme and to avoid recourse to changes in the programmes for essentially bureaucratic reasons, as was the case with Member States in the 1994-1999 period.

6.1.1. *Measure 1 – Investments in agricultural holdings*

All 10 SAPARD programmes include the measure on support for investments in agricultural holdings. This measure is programmed to absorb 797 million euro representing 22% of the total Community contribution. It is therefore, in global financial terms (all 10 countries together), the second most important measure. For several countries it is the largest measure: Lithuania (47%), Estonia (43%), Bulgaria (31%), Hungary (28%) and the Slovak Republic (28%).

The importance of the budget earmarked for this measure in the programmes reflects the need for modernisation of agriculture and its adaptation to Community requirements. The measure aims at increasing the competitiveness of agricultural holdings, through improvements in their fixed assets and equipment, improvements in the quality of their products and redeployment of production according to market needs and to contribute to diversification of farm activities. A further objective is to help the adaptation of agricultural holdings to Community standards regarding environment, hygiene and animal welfare.

The scope of the measure varies markedly from programme to programme: sectors usually included are meat (cattle, pigs, poultry) and milk production, fodder

¹⁷ In this section references to the Community contribution relate to the expected total Community co-financing contribution for SAPARD of 3 703 million euro for the entire programming period 2000-2006.

production, cereals, fruit and vegetables (and in the case of Bulgaria and Romania also vineyards).

Representative examples of possible eligible investments include construction or renovation of farm buildings, purchase of agricultural machinery and equipment, animal waste treatment facilities, construction or upgrading of fodder storage facilities, construction or renovation of facilities for on-farm milk or meat processing.

Aid rates (public contribution in relation to total eligible cost of the investment) in the programmes vary from 30% to 50%. Sometimes they are differentiated according to the sector/type of investment or according to the status of the beneficiary (such as young farmer or farmers in Less Favoured Areas).

6.1.2. *Measure 2 - Improving the processing and marketing of agricultural and fishery products*

This measure is included in all 10 SAPARD programmes. In global financial terms it is the most important, amounting to 954 million euro representing 26% of the expected total Community contribution. It is the largest measure for the Czech Republic¹⁸ (25%), Latvia (26%), Poland (38%) and Slovenia (40%). For the remaining countries it is in second place: Bulgaria (24%), Estonia (18%) - *ex aequo* with measure for diversification of economic activities), Hungary (21%), Lithuania (21%), Romania (17%) and the Slovak Republic (26%).

This data provides an idea of the importance placed by the applicant countries on the processing and marketing measure as a way of helping to upgrade, adapt, rebuild or create their agri-food industries. It will assist the countries in restructuring their agricultural sectors, improving product quality (complying with Community standards) and competing more effectively at Community level.

The selection of sectors to be supported depends on the specific agricultural characteristics and needs of each country. The total number of sectors to be supported in each country varies between 3 (Estonia and Slovenia) and 11 (Romania). Three sectors were selected by all countries: dairy, meat and fish. Among other sectors that will also be supported under this measure the most important are:

- fruit and vegetables - present in seven out of the ten applicant countries (Bulgaria, Hungary, Latvia, Lithuania, Poland, Romania and the Slovak Republic),
- wine (Bulgaria, Hungary and Romania),
- cereals (Latvia, Lithuania and Romania).

Representative examples of possible eligible investments include: construction or renovation of buildings; investments in food processing establishments to meet

¹⁸

For the Czech Republic the present analysis covers the measure "Improving the processing and marketing of agriculture and fishery products" and the measure "Improving the structures for quality, veterinary and plant-health controls, for the quality of foodstuffs and for consumer protection" that will be applied in the processing industries. The actions proposed by the Czech authorities under this last measure are similar to the processing and marketing measures for the other nine applicant countries.

Community requirements; new (and subject to specific rules possibly also second-hand) machinery and equipment (including computer software); milk tanks and coolers; storage facilities (including cold stores) and container washing facilities; waste and by-product treatment equipment as well as equipment for quality improvement and improved control of the production process.

One of the major objectives of SAPARD is to foster investments which will reinforce the ability of the private sector to meet Community veterinary, hygiene, sanitary, food quality, animal welfare and environmental requirements. Consequently, to be even potentially eligible for aid, project applications involving construction of fixed assets must, in all cases, be assessed by the national environmental and veterinary authorities to check if, after their completion, the investment concerned will comply with Community requirements in each of these areas.

6.1.3. Measure 3 - Improving the structures for quality, veterinary and plant-health controls, for the quality of foodstuffs and for consumer protection

The Community contribution to this measure is 28 million euro. This sum represents 1% of the expected total Community contribution under SAPARD. It should be noted that both SAPARD and PHARE can in full complementarity support investments to improve structures for quality, veterinary and plant health controls, for food quality and for consumer protection, including Border Inspection Posts. The bulk of investments in the public sector, aiming at ensuring compliance with the *acquis*, is expected to be supported by PHARE and not SAPARD, as the latter can only support smaller actions (less than 2 million euro) at local level (see also point 8.3).

Under SAPARD this measure was only approved for Romania¹⁹ where it represents 3% of the total SAPARD contribution. The Romanian authorities intend to use SAPARD to support the establishment or modernisation of small public or private laboratories in the sanitary-veterinary sector and in the plant health and food quality control sectors, mainly at county level.

6.1.4. Measure 4 - Agricultural production methods designed to protect the environment and maintain the countryside

Agri-environmental measures account for 83 million euro representing 2% of the Community contribution. Unlike for Member States, implementation of this measure is not obligatory for applicant countries under SAPARD. Nevertheless, with the exception of Slovenia²⁰, all applicant countries have included it in their programmes. Article 4 of Commission Regulation (EC) No 2759/1999 states that support may be granted to such measures provided that they concern actions at pilot level. In addition, « *such actions shall have the objective of developing practical experience of agri-environment implementation at both the administrative and farm levels.* ». The elaboration of Good Farming Practices is another important requirement for the applicant countries within this preparatory work.

¹⁹ As outlined in the previous footnote the SAPARD programme for the Czech Republic includes a measure under this title but is not included in this analysis.

²⁰ Slovenia did not include a measure on agri-environment in its SAPARD plan partly because its relatively small overall budget for SAPARD and partly because preparation was ongoing for an agri-environment scheme financed by national resources.

The nine countries concerned have agreed to start the agri-environmental measures with appropriations from 2001 or 2002 only. The reason for this is that the environmental conditions for agriculture in the applicant countries are often very different from those in the Community. Since the development of agri-environmental programmes needs to take account of local conditions, it is not a matter of simply transposing measures applied in the Community to the applicant countries. Substantial preparatory work is needed in order to determine both the content of the measures and arrangements for their application.

While most of the concerned applicant countries have already introduced detailed orientations for the pilot actions within their programmes, these are only proposals yet to be finalised in co-ordination with the Commission. The main proposed fields of intervention are organic farming, biodiversity (including agricultural genetic resources), special biotopes (including wetlands) and landscapes.

6.1.5. *Measure 5 - Development and diversification of economic activities, providing for multiple activities and alternative income*

Each programme includes provision for a measure to develop and diversify economic activities in the rural economy. Overall, this measure accounts for 416 million euro representing 11% of the Community contribution for SAPARD. The extent to which provision has been made for this measure across all the programmes varies from less than 10% of total programme funds for Bulgaria (6%) and Lithuania (8%), to 24% for Latvia.

The main objective of this measure is to encourage the development and diversification of economic activities in the countryside by providing alternative sources of income to agriculture. Actions are needed to underpin employment opportunities in rural areas, which have suffered from significant labour market changes, as reflected by falling employment rates and a decline in employment in agriculture. Although agricultural employment in most applicant countries remains far above the level in many parts of the Community, a process of modernisation to reflect technological and social change is already underway.

Many rural areas in the applicant countries have the potential for diversification, especially towards rural tourism, the development and expansion of craft enterprises and small- and medium-sized enterprises. All programmes have consequently made provision for developing rural tourism as well as handicraft activities. Examples of the latter include investments in facilities and equipment for weaving, woodwork and ceramics. In Bulgaria, Lithuania and Romania, provision has also been made for the development of aquaculture and fish farming activities. Both the Czech Republic and the Slovak Republic make provision for the restoration of buildings of a historical and cultural value and for the conversion of farm buildings for business service purposes. Provision for the development of local renewable energy sources is included in the case of Latvia and the Czech Republic. The development of agricultural services (involving the development of agricultural machinery rings) is included in the Romanian programme. In Estonia, provision is also made for investment support for the establishment or expansion of service activities for use by agricultural producers, forest owners and the rural population.

6.1.6. Measure 6 - Setting up farm relief and farm management services

This measure was not considered as a priority by any of the applicant countries. Consequently, it was not included in any of the approved programmes.

6.1.7. Measure 7 - Setting up producer groups

This measure is included in four SAPARD programmes (Bulgaria, Hungary, Romania and the Slovak Republic). Overall the measure accounts for 47 million euro, representing 1% of the expected total Community contribution for SAPARD.

In the programme for Bulgaria it represents 1% (4.7 million euro), for Romania 2% (23.6 million euro), for the Slovak Republic 5% (8 million euro) and for Hungary 7 % (26 million euro). The principal objective of the measure is to support agricultural producers, who jointly market their products to pre-defined standards.

A minimum volume of the annual production of the groups to be supported is fixed in the case of the Slovak Republic, Romania and Bulgaria and the minimum annual turnover is fixed for Romania (20 000 euro), Bulgaria (150 000 euro) and the Slovak Republic (from just under 0.5 million euro to 12 million euro depending on the product).

6.1.8. Measure 8 - Renovation and development of villages and the protection and conservation of the rural heritage

As part of their strategy for rural development, four countries (Bulgaria, the Czech Republic, Estonia and Hungary) have included this measure in their SAPARD programmes. Overall, this measure accounts for 72 million euro, representing 2% of the expected Community contribution. This varies from 11% of total programme funds in the case of the Czech Republic to 4% in the case of Hungary.

The main objective of this measure is to assist the development of rural communities to help generate better living standards.

Another aspect is the preservation and renovation of local heritage (cultural and architectural features and monuments).

In order to support the development of tourism, villages need to be able to offer basic services. Furthermore, they need to respond to specific interests based on cultural or natural assets, historical or special sites or monuments, and heritage. The appearance of villages and their surroundings can be a driving force in this strategy.

Examples of activities that may be supported include: renovation of streets and public areas; improvement of village appearance; renovation/protection of historical and architectural monuments; establishment of new municipal facilities to promote business start-ups (including public market places); establishment of information points; renovation/construction of local cultural/leisure centres and all related works (such as parks and public gardens).

6.1.9. Measure 9 – Land improvement and reparation

Three countries (the Czech Republic, Latvia and the Slovak Republic) have opted for this measure. While this measure accounts for 46 million euro representing 1% of the

total Community contribution, the “land reparation” measure plays a very significant role in the Czech SAPARD Programme, where it concerns 20% of the total Community contribution and to a lesser extent in the Slovak programme (10% of the total Community contribution).

In the countries concerned, there is a need for land consolidation and rationalisation of parcels. The main challenges are the fragmentation of plots, the high number of co-owner shares, the incomplete land register and the physical inaccessibility of some plots. This situation inhibits further development of efficient farming, the land market and investment in land, and may inhibit completion of the restitution process. This measure will contribute to establishing a better settlement of land and so increase the efficiency of farms by helping to create the conditions for rational land management.

Eligible investments will include: the preparation of necessary documentation; preparation and implementation of land use projects (such as marking out the division plan, surveys and earthworks) and the building of access roads.

6.1.10. Measure 10 - Establishment and updating of land registers

Activities covered by this measure are commonly recognised in the applicant countries as being significant for their future development. However, the applicant countries have used other available resources (mainly PHARE assistance or PHARE and World Bank assistance combined) or, in some cases national resources to support such activities. As a result, this measure has not been included in any of the programmes.

6.1.11. Measure 11 - Improvement of vocational training

All programmes, except the Estonian and Slovenian, include a measure for vocational training. The Community co-financing allocated for this measure is 117 million euro representing 3% of the total Community contribution. The beneficiaries are farmers and other persons involved in farming and forestry activities as well as those converting from these activities. Thus, farmers who are changing from agricultural activities to, for example, rural tourism would be eligible for support. However, other persons, such as those working in the processing and marketing industries, are not eligible under this measure.

The main objectives are to prepare farmers for reorientation of production and *acquisition* of the skills needed to enable them to manage an economically viable farm. Other objectives include the application of production practices compatible with the maintenance and enhancement of the landscape, protection of the environment, hygiene standards and animal welfare.

A few programmes also include objectives regarding training for forest holders and other persons involved in forestry activities to facilitate the application of forest management practices and to improve the economic, ecological or social functions of forests.

6.1.12. Measure 12 - Development and improvement of rural infrastructure

Poor infrastructure and its associated implications for economic development have been key concerns for all applicant countries. Overall, 759 million euro representing

21% of the Community contribution will be directed towards the rural infrastructure measure. In Poland and Romania, 28% of their respective programmes will be dedicated to a range of rural infrastructure developments. In both programmes, improvements in infrastructure are seen as pre-requisites for rural development. In Poland, insufficient technical infrastructure in rural areas constitutes one of the main barriers to development. For example, at the end of 1998, only 50% of rural households had a telephone (a significant barrier to business development); and only 5.8% of rural households were connected to sewage systems. In addition, only a third of rural households used official dumping sites. It has been estimated that a similar proportion of Poland's electricity supply network in rural areas needs urgent modernisation.

In Romania, the rural population frequently has no access to piped water. In addition to access problems, the wells do not provide water of adequate quality.

Reflecting these problems, four main types of infrastructure are covered to varying degrees by the SAPARD Programmes. These are investments in: (i) water and waste management (ii) roads (iii) electricity supply and (iv) rural telecommunications. All the programmes (with the exception of the Slovak Republic and Slovenia) make provision for investments in water supply and waste management, and roads. The programmes for the Baltic States include provision for access roads both to farms and in some cases to rural enterprises. Reinforcement of the electricity supply network is included in the programmes for the Czech Republic (where provision is also made for the development of renewable energy sources), Estonia, Hungary, Lithuania and Poland. The last four programmes also include provision for improving rural telecommunications.

6.1.13. Measure 13 - Agricultural water resources management

This measure is included only in Bulgaria and Romania's SAPARD programmes. According to the financial tables, an amount of 50 million euro will be directed to this measure, representing about 1% of the expected total Community contribution. This represents 5% (20 million euro) and 3% (30 million euro) of the Community contribution for Bulgaria and Romania respectively.

The principal objectives of the measure are to ensure sustainable management of water resources and to protect the environment in rural areas. This would be achieved in part by schemes for irrigation, drainage and flood protection.

The measure includes:

- modernisation of existing irrigation systems,
- construction and renewal of dykes for the protection of agricultural land against floods,
- construction of dams and associated irrigation networks.

6.1.14. Measure 14 - Forestry, including afforestation of agricultural areas, investment in forest holdings owned by private forest owners and processing and marketing of forestry products

This measure is included in the SAPARD programmes approved for six countries: Bulgaria, Estonia, Latvia, Lithuania, Poland, Romania and the Slovak Republic. In global terms it is foreseen that 167 million euro, representing 5% of the Community contribution, will be used to support forest activities under this measure. Its importance for each individual applicant country varies from 1% (Estonia) to 8% (Bulgaria and the Slovak Republic) and 10% (Romania).

The main activities to be supported under this measure are: afforestation of agricultural areas, improvement of existing forest areas, investments to improve and rationalise the harvesting, processing, and marketing of forestry products and support to forest infrastructure.

Two further points should be noted:

- (a) applicant countries that have not included this measure as a SAPARD priority at this stage are supporting forestry activities under national measures (the Czech Republic and Slovenia) or through PHARE-Institution Building support (e.g. Hungary - Development of the forestry information system);
- (b) even programmes without this measure may support activities related to forestry under other measures namely: training for forest holders (measure 11), establishment or improvement of forest tree nurseries (measure 1), forest roads or paths (measure 12) and processing and marketing of forest products, which may be wood-based but not timber as such and includes products like woodcraft, fuel wood and forest berries (measure 5).

6.1.15 Measure 15 - Technical assistance for the measures covered by this Regulation, including studies to assist with the preparation and monitoring of the programme, information and publicity campaigns

Article 2(15) of the SAPARD Regulation provides for technical assistance for the measures contained in each programme. Overall, technical assistance accounts for approximately 3% of the Community contribution. The figure varies from 1% of the programme in the case of the Czech Republic and Poland, to 5% for Romania.

All SAPARD programmes include at least four categories of expenditure, as follows:

1. *Information and publicity.* All programmes make provision for the use of technical assistance in support of information and publicity needs. Towards the end of 2000, the Commission requested that each country set out the specific actions they had undertaken or intended to pursue in order to promote awareness of the programme.
2. *Monitoring of programme implementation and support for the activities of the Monitoring Committee.* All programmes are required to be subject to a monitoring procedure and have included provisions for the use of technical assistance to support costs associated with Monitoring Committee preparation and meetings.

3. *Programme evaluations and studies.* All programmes will be subject to a mid-term evaluation. This will involve the use of experts to undertake such exercises, including the provision of advice on monitoring and management information systems.
4. *Training and the use of experts.* Provision has been included in a number of programmes for experts to provide advice, for example in the preparation of supporting documents for project selection and the training of trainers.

During the year 2000, all countries provided the Commission with an estimate of their need for technical assistance to the end of 2001. In May 2001, the Commission indicated to the applicant countries which of these needs it considered eligible for Community co-financing.

6.2. Cross-sectoral issues

6.2.1. Environment

The environmental aspect of SAPARD programmes is not limited to the agri-environment measure (measure 4). As one of the main SAPARD goals is to contribute to the implementation of the *acquis* the attainment of environmental objectives was included in various other measures in the different programmes. In this way, actions with important environmental aspects, but falling outside measure 4, have been foreseen, especially in connection with water protection (the Nitrate Directive and the Waste Water Directive). They include manure handling under measure 1, waste treatment under measure 2 and water treatment under measure 12.

Attention has been paid to the use of environmental impact assessment in the project selection procedure, in particular to avoid deterioration of potential Natura 2000 sites. Environmental authorities will be involved in verifying respect of environmental constraints in the project selection procedure. These authorities and relevant NGOs are also involved in the monitoring and evaluation of environmental aspects of the programmes.

The obligation for beneficiaries to respect environmental standards equivalent to these set out in Community legislation (notably the Nitrates, Environmental Impact Assessment and Natura 2000) and animal welfare, is an important element of the programmes. In several applicant countries these obligations were backed by commitments in the form of deadlines for their transposition into national law.

6.2.2. Quality and health standards

Investments under measure 2 and, where applicable also under measure 1, require compliance with standards equivalent to these of Community provisions on food safety, hygiene and animal welfare. All programmes require that:

- SAPARD support for investments shall only be granted if, when completed, the investment complies with Community standards,
- the competent veterinary authorities will carry out a prior assessment of the project to certify that the investment will meet Community standards when completed.

6.2.3. *Ex ante evaluations*

Article 5 of the SAPARD Regulation provides that all programmes shall be subject to prior and mid-term appraisal, on-going monitoring and *ex post* evaluation. The Commission sent guidelines to all applicant countries on the prior appraisal of their programme proposals. All countries have made use of these guidelines, in some cases to very good effect.

The evaluation work has had a positive impact on the overall quality of the rural development plans. The involvement of evaluators in drafting the programme proposals and the integration of evaluation conclusions and recommendations in the programmes resulted in improvements to programme coherence and consistency. In part, the evaluation exercises have made up for a certain lack of expertise or experience on the part of the national authorities in preparing the SAPARD plans.

One of the major advantages of such *ex ante* evaluation exercises is the outside perspective that the evaluators provide. In addition, the involvement of external evaluators has helped the various national authorities concerned to gain new perspectives on the theoretical bases of programming.

7. ACCREDITATION OF THE SAPARD AGENCIES AND DECISION CONFERRING MANAGEMENT OF AID

7.1. Legal background

Section 3 of this report sets out the legislative framework for the implementation of SAPARD. The specific legal basis for decentralising management of SAPARD aid is found in Article 12(2) of Council Regulation (EC) No 1266/1999, the Co-ordination Regulation. This Regulation provides that the Commission may decide, on the basis of a case-by-case analysis of national and sectoral programme/project management capacity, financial control procedures and structures regarding public finance to waive the *ex ante* approval requirement. Such approval is normally required in the context of external aid for project selection, tendering and contracting.

7.2. Minimum criteria and conditions for decentralisation set out in Regulation (EC) No 1266/1999

Article 12(2) of Regulation (EC) No 1266/1999 provides that any such waiver and conferral of management as referred to in point 7.1 shall be subject to:

- minimum criteria for assessing the ability of implementing agencies in applicant countries to manage aid, and
- minimum conditions applicable to such agencies.

The minimum criteria and conditions are set out in the Annex to that Regulation, as follows:

- 1. Minimum criteria for assessing the ability of implementing agencies in applicant countries to manage aid*

The following criteria shall be applied by the Commission in assessing which implementing agencies in partner countries are able to manage aid on a decentralised basis:

- (i) there should be a well-defined system for managing the funds with full internal rules of procedure, clear institutional and personal responsibilities;*
- (ii) the principle of separation of powers must be respected so that there is no risk of conflict of interest in procurement and payment;*
- (iii) adequate personnel must be available and assigned to the task. They must have suitable auditing skills and experience, language skills and be fully trained in implementing Community programmes.*

2. Minimum conditions for decentralising management to implementing agencies in applicant countries

Decentralisation to applicant countries with ex post control by the Commission may be considered for an implementing agency where the following conditions are met:

- (i) demonstration of effective internal controls including an independent audit function and an effective accounting and financial reporting system which meets internationally accepted audit standards;*
- (ii) a recent financial and operational audit showing effective and timely management of Community assistance or national measures of similar nature;*
- (iii) a reliable national financial control system over the implementing agency;*
- (iv) procurement rules which are endorsed by the Commission as meeting requirements of Title IX of the Financial Regulation applicable to the general budget of the European Communities;*
- (v) commitment by the National Authorising Officer to bear the full financial responsibility and liability for the funds.*

The Regulation also states that the conferral of management shall be subject to specific provisions concerning *inter alia* invitations to tender, scrutiny and evaluation of tenders, the award of contracts and the implementation of public procurement directives which shall be laid down in financing agreements with each beneficiary country.

7.3. Relationship between the conditions of Regulation (EC) No 1266/1999 and the SAPARD Regulation (EC) No 1268/1999 and Regulation (EC) No 2222/2000 setting out the financial rules for SAPARD

The conditions for decentralisation set out in the Co-ordination Regulation are not incompatible with the EAGGF and Structural Funds (including Guidance) principles to which the SAPARD Regulation refers. However, the Commission was required under the SAPARD Regulation to adopt financial rules. In addition, Regulation (EC) No 2222/2000 served the following purposes:

- (i) it demonstrated the Commission's adherence to the obligation in the SAPARD Regulation that EAGGF and Structural Fund principles be respected and
- (ii) it provided applicant countries with further details as to how the conditions of Regulation (EC) No 1266/1999 might be met.

Existing Community legislation covering EAGGF and Structural Funds operations provided a reliable basis for the financial rules that govern SAPARD.

In respect of (i), Regulation (EC) No 2222/2000 includes the requirement to nominate a paying agency, which is also required for Structural Funds and EAGGF Guarantee operations. The Regulation draws significantly on the accreditation system used specifically for the payment of Guarantee-funded measures. The system for advances and payment reimbursement is based primarily on the Structural Funds system. The Regulation includes a requirement for the Commission to clear the accounts of the SAPARD agency on an annual basis. This process requires an independent certificate and report to be furnished to the Commission by the applicant country. The external aid rules of the Financial Regulation also require a clearance procedure before payments are finally booked to the budget appropriations. The Structural Funds system requires an independent certificate and report to be furnished at the end of the programming period rather than on an annual basis.

In respect of (ii), Regulation (EC) No 2222/2000 provides details on how an agency responsible for implementation and payment of the measures should be accredited by the Competent Authority. The annex to the Regulation sets out detailed functions and the criteria to be put in place for the agency to be accredited. These functions and criteria represent an elaboration of the annex to Regulation (EC) 1266/1999 and the conditions for conferral on any implementing agency, which includes the National Fund. The Regulation also sets out the role of the National Fund and the conditions necessary for conferral of management.

7.4. Relationship between the regulatory conditions for conferring management and the Multi-annual Financing Agreement

The rules of Regulation (EC) No 2222/2000, which reflected both the rules of Regulations (EC) No 1268/1999 and (EC) No 1266/1999 were included in the Multi-annual Agreement. The negotiations on the agreements gave the Commission another opportunity to elaborate some of the criteria and conditions of the Regulation for clarification and explanatory purposes, which also assisted the applicant countries in achieving a better understanding of the conditions necessary for decentralisation.

7.5. Commission Decision conferring management of aid

The following steps are taken in respect of the Commission Decision conferring management of aid:

1. the applicant country concludes the national accreditation work of the SAPARD agency. This must be examined by the Competent Authority, which must then demonstrate its satisfaction with the outcome in the form of an Act of Accreditation;
2. the National Fund within the Ministry of Finance must demonstrate its ability to manage the receipt and transfer of Community and national funds;

3. the authorities must notify the Commission of this accreditation work and a complete package of information must be sent to the Commission;
4. the Commission must examine, in Brussels and on the spot, the basis for the national accreditation, including obtaining supplementary information and clarification;
5. when satisfied that the country has demonstrated its ability to implement the programme, the Commission may take a Decision conferring management of the measures in the programme (all or part of the measures) to the SAPARD agency and the National Fund;
6. a "provisional" decision on accreditation is granted when the auditors have reasonable assurance that the system put in place by the applicant country will work. However, it presupposes that the system will be "audited" once the first transactions have been processed;
7. the Commission informs a country of the adoption of the Decision and of any recommendations required to be carried out.

At a later stage the Commission may decide to grant conferral of management on a basis other than provisional.

7.6. Progress made towards decentralisation

7.6.1. Fact-finding visits in 1999

In November and December 1999, the Commission carried out the first fact-finding visits to each applicant country to establish the extent to which progress had been made towards setting up the systems for implementing SAPARD.

The visits occurred when the Communication to the Commission of 26 January 2000 was in the final drafting stages, and therefore prior to the adoption of the detailed financial rules set out in Regulation (EC) No 2222/2000. However, applicant countries were already aware of the conditions for decentralisation set out in Regulation (EC) No 1266/1999 (published on 26 June 1999).

At the time of these first visits, applicant countries were in the final stages of drafting their rural development plans, which had to be submitted to the Commission by 29 December 1999. The SAPARD Regulation (also published on 26 June 1999) provides that the financial support shall comply with EAGGF principles. The Regulation also requires applicant countries to include in their plans "the names of the competent authorities and bodies responsible for carrying out the programme, including the paying agency". The countries were already familiar with these principles and the paying agency system from screening seminars organised by the Commission as part of its general institution building programme for applicant countries. The SAPARD Regulation also requires applicant countries to include in their plans provisions ensuring correct implementation of the programme, including the arrangements for controls and penalties.

The conclusion following the visits was that the applicant countries needed to undertake a substantial amount of work in order to adapt their procedures for

SAPARD. The Commission issued letters to each country indicating the areas requiring improvement following these first visits.

7.6.2. Fact-finding visits in 2000

During the year 2000 the Commission carried out 36 fact-finding visits to assess progress and communicated its findings to applicant countries by letter. The visits highlighted many issues, some specific to individual countries, others common to all. Notable common points included:

- the need to establish effective internal audit functions at both the SAPARD agency and the National Fund,
- the need to ensure that eligibility and ranking criteria are specific, measurable and manageable,
- the need for a realistic accreditation strategy,
- the requirement for a suitable Information and Communication Strategy,
- the need to observe the principles of sound financial management,
- various accounting matters.

The visits also revealed that the rate of progress varied. In many cases, applicant countries required considerable and repeated encouragement to address the tasks before them. That said, the discussions were nevertheless open, constructive and fruitful.

7.6.3. National accreditation completed in 2000

Bulgaria submitted its accreditation package to the Commission on 18 December 2000 thereby indicating that it believed it was ready for the Commission Decision conferring management of aid. The Commission services began an examination of the national accreditation work which would lead to the drawing up of the report required to obtain a Decision to confer management (see section 9).

7.6.4. The type of system required

There is a risk that the financial management system imposed might be considered too complex for the applicant countries, thereby resulting in delays in making SAPARD operational. The conditions of Regulation (EC) No 1266/1999 elaborated in Regulation (EC) No 2222/2000 reflect financial management principles whose main objective is to ensure accountability and appropriate use of Community monies.

The reasons for the differing rates of progress between the countries are not always apparent. Some that relied heavily on the expertise of external consultants (such as through twinning arrangements and SIGMA) appear to have progressed more rapidly, but there may have been other factors influencing their progress. Two specific factors that the Commission has identified as being crucial to making progress are staff continuity in the institutions and the consistent involvement of senior management in the process. For example, difficulties arose where officials had been trained and then left their posts. Another important example concerns the need

for effective communication and co-operation between, and within, the two bodies (National Fund and SAPARD agency). Where this is present, there is progress; where it is absent, there are difficulties.

It is clear that SAPARD involves a significant innovation for many of these countries, whose previous experience was of highly centralised systems, including those employed for the administration of Community aid where *ex ante* approval by the Commission is required for the selection, tendering and contracting of every project. This departure caused some difficulties particularly in the early stages when the concept of taking responsibility for the direct management of Community aid was not fully understood. It also had significant implications for countries' national legislative frameworks. However, as 2000 progressed, it was clear that, in general, the applicant countries had made significant progress in setting up their systems for decentralised management.

The only possible alternative to the proposed system would be direct management from the Commission in Brussels or via delegations in the applicant countries. For management reasons this would require aid to be granted mainly, if not wholly, to large projects, thereby reducing the number and nature of the beneficiaries. Smaller beneficiaries, i.e. SMEs and most farms, except the very largest, would be eliminated and a re-negotiation of the SAPARD programmes approved by the Commission would be necessary.

By decentralising management to applicant countries, SAPARD gives future members the opportunity to gain valuable experience in applying the mechanisms for management of Community Funds, as well as obtaining the benefits of implementing a rural development programme. On a broader front, the investment in new systems will build skills that will be readily transferable to the management of other Community Funds.

8. MONITORING, EVALUATION AND CO-ORDINATION WITH OTHER INSTRUMENTS

Implementation of SAPARD programmes is subject to the provisions of the Multi-annual Financing Agreement in respect of both monitoring and evaluation. According to these provisions a monitoring committee shall be established for each SAPARD programme. In support of these commitments and activities, guidance for establishing rules of procedure for the SAPARD Monitoring Committees was given by the Commission to all applicant countries during 2000.

8.1. Co-ordination with other instruments

Consistent with the Co-ordination Regulation and in order to avoid any overlapping between operations receiving support from SAPARD and PHARE or from ISPA, appropriate provisions are included in the programming documents and agreements. The Multi-annual Financing Agreement provides that the applicant country shall ensure that any risk of funds being disbursed more than once is avoided, notably by means of stamping invoices with "SAPARD" before being paid for by the SAPARD agency. This procedure becomes particularly important when a SAPARD project, due to its nature, could be eligible for assistance under other instruments.

8.2. The Commission's Coordination Committee

The Co-ordination Committee includes representatives from relevant Commission departments. During 2000 the Committee monitored progress in establishing the legal framework for the two new pre-accession instruments, ISPA and SAPARD. Co-ordination of programming and monitoring is continuing in 2001, as well as the move towards Extended Decentralised Implementation (EDIS) for ISPA and PHARE.

8.3. Clarifying the interface between PHARE and SAPARD

To draw a line between actions, which could receive support from either SAPARD or PHARE, the Commission clarified the interface between the two instruments. This was needed particularly for investments in the veterinary area. The demarcation is that PHARE may support investments if they concern public works carried out by national authorities or other public authorities to whom the competence has been sub-delegated by the national authorities. Investments could be eligible under SAPARD if they relate to private activities (for example, in-house laboratories for processing plants, or upgrading of farm equipment). SAPARD programmes may also include investments to improve small, local public structures for quality, veterinary and plant health controls, for food quality and for consumer protection (see also point 6.1.3). In addition, PHARE will continue to provide institution building support, notably for SAPARD agencies.

8.4. The interface between SAPARD and ISPA

The Co-ordination Regulation provides that measures to support agriculture and rural development shall be financed according to Article 2 of the SAPARD Regulation and that investment projects (in principle with total cost no less than 5 million euro) in the field of environment and transport will be governed by Article 2 of the ISPA Regulation.

9. LATEST DEVELOPMENTS

The signing of the Multi-annual Financing Agreement (MFA) and the Annual Financing Agreement (AFA) with all 10 applicant countries eligible under SAPARD had been completed by the end of March 2001. The Agreements may now be subject to a ratification procedure in the SAPARD countries, depending on the various constitutional rules.

Following Bulgaria's submission in 2000, Estonia submitted its Act of Accreditation on 5 February 2001. A Commission decision conferring management of aid to Bulgaria was taken on 15 May 2001 for three measures. A Decision for a similar nature for Estonia was taken on 15 June 2001 for four measures.

It is difficult to make a meaningful forecast as to when the process will be completed for all countries, as this will depend largely on the countries' own efforts and capacities to meet the conditions. The Commission continues to provide institution building support to SAPARD agencies through PHARE.

According to provisions in the Multi-annual Financing Agreement commitment appropriations for the year 2000 can be paid provided the relevant claim is submitted

to the Commission by the end of 2002. Thereafter, any remaining, unused commitments relating to 2000 are to be automatically decommitted. However, the Commission is considering the possibility of extending this deadline for the 2000 appropriations on an exceptional basis, in view of the fact that no Commission Decision conferring management of aid could be taken by the end of 2000.

In order to reinforce the importance of both monitoring and evaluation, a series of seminars was held in the spring of 2001, with the participation of the applicant countries. One seminar examined in detail issues concerning the arrangements, requirements and procedures in respect of monitoring SAPARD programmes. Presentations were made concerning the responsibilities and functions of the Managing Authority and the Monitoring Committee, and the use of monitoring indicators.

Two seminars on evaluation were organised in May 2001. These aimed to introduce the applicant countries to the approach promoted by the Commission and followed by the Member States for the evaluation of Community-financed rural development programmes.

ANNEX 1

REFERENCE LIST

All the documents in this reference list can be found on the Internet page:

http://europa.eu.int/comm/agriculture/external/enlarge/index_en.htm

Legislation

Council Regulation (EC) No 1266/1999 of 21 June 1999 on Community support on co-ordinating aid to the applicant countries in the framework of the pre-accession strategy and amending Regulation (EEC) No 3906/89.

Council Regulation (EC) No 1268/1999 of 21 June 1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period.

Corrigendum to Council Regulation (EC) No 1268/1999 of 21 June 1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period.

Commission Decision of 20 July 1999 on the indicative allocation of the annual Community financial contribution to pre-accession measures for agriculture and rural development (*notified under document number C(1999) 2431*) [1999/595/EC].

Commission Regulation (EC) No 2759/1999 of 22 December 1999 laying down rules for the application of Council Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period.

Commission Regulation (EC) No 2222/2000 of 7 June 2000 laying down financial rules for the application of Council Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period.

Commission Regulation (EC) No 2356/2000 of 24 October 2000 amending Regulation (EC) No 2759/1999 of 22 December 1999 laying down rules for the application of Council Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period.

Information brochures

CEC Reports: "Agricultural Situation and Prospects in the Central and Eastern European Countries" (1998)

SCAD plus: Pre-accession aid - Agricultural instrument (Sapard)

Info-paper: "EU enlargement" (03/2000)

Fact-sheet: "EU and enlargement - Pre-accession instruments: focus on agriculture" (10/2000)

"Prospects for agricultural markets in the Candidate Countries from Central and Eastern Europe" (11/2000)

Newsletters

"Preparing for enlargement: allocating SAPARD funds" in: Newsletter N° 14 - August 1999

"Pre-accession assistance: implementing SAPARD" in: Newsletter N° 19 - January 2000

"Financial management of pre-accession aid (SAPARD)" in: Newsletter N° 20 - February 2000

"The CAP and the accession negotiations a progress report" in: Newsletter N° 22 – May 2000

"Farm trade with the CEECs: preparing for accession" in: Newsletter N° 23 - June 2000

"Pre-accession aid: 6 programmes approved" in: Newsletter N° 26 - September 2000

"SAPARD in the starting block" in: Newsletter N° 28 - November 2000

"Go-ahead for SAPARD financing agreements" in: Newsletter N° 29 - December 2000

"Sapard Bulgaria: Multi-annual Financing Agreement" in: Newsletter N° 30 – January 2001

"Sapard: Agreements signed with nine candidate countries" in: Newsletter N° 32 - March 2001

"Sapard: all agreements have now been signed" in: Newsletter N° 33 - April 2001

ANNEX 2
SAPARD

Adoption procedure of the Financing Agreements

| Financing Agreement | Bulgaria | Czech Republic | Estonia | Hungary | Latvia | Lithuania | Poland | Romania | Slovakia | Slovenia |
|--|-------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------|-------------------|-------------------|
| Adoption of the Financial Implementing Reg. | 7 June 2000 | 7 June 2000 | 7 June 2000 | 7 June 2000 | 7 June 2000 | 7 June 2000 | 7 June 2000 | 7 June 2000 | 7 June 2000 | 7 June 2000 |
| Interservice consultation on the draft Financing Agreement | 12 July 2000 | 12 July 2000 | 12 July 2000 | 12 July 2000 | 12 July 2000 | 12 July 2000 | 12 July 2000 | 12 July 2000 | 12 July 2000 | 12 July 2000 |
| Circulation of draft agreement to applicant countries | 20 July 2000 | 20 July 2000 | 20 July 2000 | 20 July 2000 | 20 July 2000 | 20 July 2000 | 20 July 2000 | 20 July 2000 | 20 July 2000 | 20 July 2000 |
| Start of negotiations on Financing Agreement with applicant countries at work-shop | 27 July 2000 | 27 July 2000 | 27 July 2000 | 27 July 2000 | 27 July 2000 | 27 July 2000 | 27 July 2000 | 27 July 2000 | 27 July 2000 | 27 July 2000 |
| Circulation, re-drafted agreement to applicant countries taking account of work-shop | 3 August 2000 | 3 August 2000 | 3 August 2000 | 3 August 2000 | 3 August 2000 | 3 August 2000 | 3 August 2000 | 3 August 2000 | 3 August 2000 | 3 August 2000 |
| Receipt of comments from applicant countries | 28 August 2000 | 5 September 2000 | 2 September 2000 | 22 August 2000 | 18 August 2000 | 21 August 2000 | 21 August 2000 | 21 August 2000 | 22 August 2000 | 22 August 2000 |
| Launch of 2 nd inter-service consultation | 8 Sept. 2000 | 8 Sept. 2000 | 8 Sept. 2000 | 8 Sept. 2000 | 8 Sept. 2000 | 8 Sept. 2000 | 8 Sept. 2000 | 8 Sept. 2000 | 8 Sept. 2000 | 8 Sept. 2000 |
| Circulation of re-drafted agreement to applicant countries | 29 September 2000 | 29 September 2000 | 29 September 2000 | 29 September 2000 | 29 September 2000 | 29 September 2000 | 29 September 2000 | 29 September 2000 | 29 September 2000 | 29 September 2000 |
| Receipt of comments from applicant countries | 9 October 2000 | 18 October 2000 | 20 October 2000 | 20 October 2000 | 9 October 2000 | 13 October 2000 | 15 November 2000 | Oral "OK" 26 Oct. 2000 | 17 October 2000 | 18 October 2000 |
| Launch of 3 rd inter-service consultation | 28 October 2000 | 28 October 2000 | 28 October 2000 | 28 October 2000 | 28 October 2000 | 28 October 2000 | 28 October 2000 | 28 October 2000 | 28 October 2000 | 28 October 2000 |
| Circulation of re-drafted agreement to applicant countries (provisional) | 10 November 2000 | 10 November 2000 | 10 November 2000 | 10 November 2000 | 10 November 2000 | 10 November 2000 | 10 November 2000 | 10 November 2000 | 10 November 2000 | 10 November 2000 |
| Circulation to applicant countries Text put to Commission | 24 November 2000 | 24 November 2000 | 24 November 2000 | 24 November 2000 | 24 November 2000 | 24 November 2000 | 24 November 2000 | 24 November 2000 | 24 November 2000 | 24 November 2000 |
| Decision authorising Commission signature of Financing Agreement | 29 November 2000 | 29 November 2000 | 29 November 2000 | 29 November 2000 | 29 November 2000 | 29 November 2000 | 29 November 2000 | 29 November 2000 | 29 November 2000 | 29 November 2000 |
| Agreement of applicant country | 1 December 2000 | 1 December 2000 | 14 December 2000 | 26 December 2001 | 7 December 2000 | 11 December 2000 | 29 January 2001 | 12 December 2000 | 30 November 2000 | 8 December 2000 |
| Signature of Multi-annual Financing Agreement | 18 December 2000 | 5 February 2001 | 25 January 2001 | 1 March 2001 | 25 January 2001 | 5 March 2001 | 25 January 2001 | 2 February 2001 | 26 March 2001 | 5 March 2001 |
| Commitment under 2000 Annual Financing Agreement | 30 January 2001 | 31 January 2001 | 30 January 2001 | 13 February 2001 | 30 January 2001 | 13 February 2001 | 31 January 2001 | 13 February 2001 | 13 February 2001 | 13 February 2001 |
| Signature of Annual Financing Agreement | 12 February 2001 | 5 February 2001 | 1 March 2001 | 1 March 2001 | 30 March 2001 | 5 March 2001 | 29 March 2001 | 27 February 2001 | 26 March 2001 | 5 March 2001 |

ANNEX 3

SAPARD Programme

State of the adoption procedure of the Rural Development Plans – 10.04.2001

| PLAN | Bulgaria | Czech Rep. | Estonia | Hungary | Latvia | Lithuania | Poland | Romania | Slovakia | Slovenia |
|--|--------------------------|--------------------------|---------------------------|--------------------------|--------------------------|---------------------------|--------------------------|---------------------------|---------------------------|--------------------------|
| Submission of plan | 28.12.1999 | 17.2.2000 | 29.12.1999 | 29.12.1999 | 20.12.1999 | 21.12.1999 | 28.12.1999 | 27.12.1999 | 21.12.1999 | 6.1.2000 |
| Letter of acknowledgement and request for further information | 27 January 2000 | 21 March 2000 | 31 January 2000 | 27 January 2000 | 31 January 2000 | 27 January 2000 | 21 January 2000 | 21 January 2000 | 27 January 2000 | 27 January 2000 |
| Initial consultations with Commission services (2000) | | | | | | | | | | |
| Consultation note | 17 January | 21 February | 17 January | 17 January | 17 January | 17 January | 17 January | 17 January | 17 January | 17 January |
| Consultative meetings | 2 February | – | 31 January | 2 February | 31 January | 14 February | 31 January 2 February | 2 February | 14 February | 31 January |
| Consultations with applicant country request for additional information (2000)* | 10 February | 23 February 23 March | 1 February | 11 February | 4 February | 24 February | 7 February | 8 February 15 February | 21 February | 4 February |
| Submission of revised plans/ Start of adoption procedure (2000) | 7 April | 28 April 31 May*** | 12 May | 24 March | 5 April | 25 April | 6 April | 27 April | 17 May 6 June*** | 20 April |
| Formal interservice consultations with Commission services on the plan (2000) | 13 April* 11 April** | 5 May* 4 May** | 19 May* 17 May** | 30 March* 29 March** | 10 April 7 April** | 3 May* 2 May** | 13 April* 11 April** | 11 May* 10 May** | 25 May* 22 May** | 5 May* 4 May** |
| Formal consultations with applicant country (2000) | 7 - 8 June | 29 June | 13-14 July | 16 May | 11-12 May | 16 June | 25 May | 3 – 5 July | 11-12 July | 8 – 9 June |
| Submission of second revised Plan (2000) | 3 July | 16 August | 18 September | 22 June | 19 June | 4 September | 5 July | 11 October | 20 September | 26 June |
| Agreement with applicant country on the plan (final version submitted) (2000) | 12 September | 8 September | 25 October | 12 September | 11 September | 23 October | 12 September | 21 November | 23 October | 14 September |
| Inter-service consultation with Commission services on the draft decision (2000) | 16 August | 14 August | 5 October | 16 August | 14 August | 5 October | 16 August | 25 October | 5 October | 16 August |
| Deadline for inter-service consultations (2000) | 1 September | 1 September | 18 October | 1 September | 1 September | 18 October | 1 September | 18 November | 18 October | 1 September |
| Submission to STAR Committee (2000) | 13 September | 13 September | 24 October | 13 September | 13 September | 24 October | 13 September | 22 November | 24 October | 13 September |
| Opinion of STAR Committee (2000) | Positive | Positive | Positive | Positive | Positive | Positive | Positive | Positive | Positive | Positive |
| Date of adoption of the SAPARD programme [C(2000)....] | 20 October 3058 final | 26 October 3105 final | 17 November 3321 final | 18 October 2738 final | 25 October 3097 final | 27 November 3329 final | 18 October 3040 final | 12 December 3742 final | 17 November 3327 final | 27 October 3138 final |

* Start of consultations and additional consultations.

** Intra-service consultations within DG Agriculture.

*** Submission of the prior appraisal.

ANNEX 4

SAPARD Programmes (Council Regulation (EC) No 1268/1999) - Maximum EU Contribution (2000-2006) (euro at 2000 prices)

| Measures | BULGARIA | | CZECH REPUBLIC | | | ESTONIA | | HUNGARY | | LATVIA | | | LITHUANIA | | |
|---|--------------------|------------|--------------------|-----|------------|-------------------|------------|--------------------|------------|--------------------|-----|------------|--------------------|---|------------|
| | euro | % | euro | * | % | euro | % | euro | % | euro | * | % | euro | * | % |
| 1 - Investment in agricultural holdings | 113 000 000 | 31 | 24 852 531 | | 16 | 36 307 508 | 43 | 75 607 000 | 28 | 35 294 216 | | 23 | 97 408 318 | | 47 |
| 2 - Processing & marketing of agriculture and fishery products | 86 137 523 | 24 | 39 241 696 | (1) | 25 | 15 612 332 | 18 | 54 542 000 | 21 | 39 650 825 | | 26 | 43 680 924 | | 21 |
| 3 - Structures for quality, veterinary controls, foodstuffs and cons. | | | | | | | | | | | | | | | |
| 4 - Environmentally friendly agricultural practices | 9 000 000 | 2 | 4 583 835 | | 3 | 1 210 012 | 1 | 11 330 000 | 4 | 6 970 116 | (2) | 5 | 2 124 171 | | 1 |
| 5 - Diversification of activities, providing alternative income | 23 000 000 | 6 | 24 780 004 | | 16 | 15 249 329 | 18 | 41 077 000 | 15 | 35 945 379 | | 24 | 17 056 407 | | 8 |
| 7- Setting up producer groups | 3 500 000 | 1 | | | | | | 19 530 000 | 7 | | | | | | |
| 8 - Renovation of villages, protection of rural heritage | 28 500 000 | 8 | 16 410 264 | | 11 | 3 025 030 | 4 | 24 070 000 | 9 | | | | | | |
| 9 - Land improvement and reparation | | | 31 007 091 | | 20 | | | | | 2 831 608 | | 2 | | | |
| 11 - Vocational training | 16 000 000 | 4 | 3 310 547 | | 2 | | | 4 748 000 | 2 | 5 882 748 | | 4 | 3 726 429 | | 2 |
| 12 - Rural infrastructures | 20 690 000 | 6 | 8 205 131 | | 5 | 10 529 171 | 12 | 31 829 000 | 12 | 18 299 986 | | 12 | 32 275 215 | | 16 |
| 13 - Water resources management | 20 000 000 | 5 | | | | | | | | | | | | | |
| 14 - Forestry, afforestation, investment , processing/marketing | 30 000 000 | 8 | | | | 1 089 011 | 1 | | | 4 574 994 | | 3 | 7 687 763 | | 4 |
| 15 - Technical Assistance | 14 000 000 | 4 | 1 609 493 | | 1 | 1 694 332 | 2 | 2 885 381 | 1 | 3 049 996 | | 2 | 4 248 335 | | 2 |
| Total of measures | 363 827 523 | 100 | 154 000 592 | | 100 | 84 716 725 | 100 | 265 618 381 | 100 | 152 499 868 | | 100 | 208 207 562 | | 100 |
| Assistance as referred to in Art. 7(4) of Reg. (EC) No 1268/1999 | 7 355 499 | | 3 113 428 | | | 1 712 716 | | 5 370 008 | | 3 083 090 | | | 4 209 328 | | |
| TOTAL | 371 183 022 | | 157 114 020 | | | 86 429 441 | | 270 988 389 | | 155 582 958 | | | 212 416 890 | | |
| | 10% | | 4% | | | 2% | | 7% | | 4% | | | 6% | | |

- (1) Corresponds to the following two measures of the Czech programme: " Processing & Marketing" (25 466 765 euro)+ "Improving structures for quality control, for the quality of foodstuffs and for consumer protection" (13 774 931 euro) that will be applied in processing units.
- (2) Corresponds to the following three measures of the Latvian programme: "Organic farming" (2 788 047 euro) + "Preservation of Biodiversity and rural landscape" (2 439 541 euro) + " Reduction of agricultural run off" (1 742 528 euro).

| Measures | POLAND | | | ROMANIA | | SLOVAKIA | | | SLOVENIA | | ALL ACs | |
|---|----------------------|---|------------|----------------------|------------|--------------------|---|------------|-------------------|------------|----------------------|------------|
| | euro | * | % | euro | % | euro | * | % | euro | % | euro | % |
| 1 - Investment in agricultural holdings | 208 084 148 | | 18 | 155 617 000 | 15 | 35 402 284 | | 28 | 15 498 700 | 35 | 797 071 705 | 22 |
| 2 - Processing & marketing of agriculture and fishery products | 448 320 000 | | 38 | 175 544 000 | 17 | 33 623 611 | | 26 | 17 712 800 | 40 | 954 065 711 | 26 |
| 3 - Structures for quality, veterinary controls, foodstuffs and cons. | | | | 28 049 000 | 3 | | | | | | 28 049 000 | 1 |
| 4 - Environmentally friendly agricultural practices | 16 750 000 | | 1 | 26 571 000 | 3 | 4 500 000 | | 4 | | | 83 039 134 | 2 |
| 5 - Diversification of activities, providing alternative income | 136 040 000 | | 12 | 102 600 000 | 10 | 14 413 327 | | 11 | 6 199 704 | 14 | 416 361 150 | 11 |
| 7- Setting up producer groups | | | | 17 712 000 | 2 | 5 850 000 | | 5 | | | 46 592 000 | 1 |
| 8 - Renovation of villages, protection of rural heritage | | | | | | | | | | | 72 005 294 | 2 |
| 9 - Land improvement and reparation | | | | | | 12 617 500 | | 10 | | | 46 456 199 | 1 |
| 11 - Vocational training | 25 610 000 | | 2 | 55 535 000 | 5 | 2 500 000 | | 2 | | | 117 312 724 | 3 |
| 12 - Rural infrastructures | 327 780 000 | | 28 | 299 391 000 | 28 | 5 080 275 | | 4 | 4 428 200 | 10 | 758 507 978 | 21 |
| 13 - Water resources management | | | | 29 525 000 | 3 | | | | | | 49 525 000 | 1 |
| 14 - Forestry, afforestation, investment, processing/marketing | 6 170 000 | | 1 | 108 340 000 | 10 | 9 670 923 | | 8 | | | 167 532 691 | 5 |
| 15 – Technical Assistance | 8 659 686 | | 1 | 52 561 078 | 5 | 4 000 000 | | 3 | 393 098 | 1 | 93 101 399 | 3 |
| Total of measures | 1 177 413 834 | | 100 | 1 051 445 078 | 100 | 127 657 920 | | 100 | 44 232 502 | 100 | 3 629 619 985 | 100 |
| Assistance as referred to in Art. 7(4) of Reg. (EC) No 1268/1999 | 23 803 764 | | | 21 257 056 | | 2 580 860 | | | 894 251 | | 73 380 000 | |
| TOTAL | 1 201 217 598 | | | 1 072 702 134 | | 130 238 780 | | | 45 126 753 | | 3 702 999 985 | |
| | 32% | | | 29% | | 4% | | | 1% | | 100% | |